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Report Highlights:

* National Pork Producers Urge Canada to Stop Hog Subsidies * Live Hog Exports Increase, Pork Exports Ease * Cattle Industry Looks to Increase Slaughter Capacity in Light of U.S. Border Closure * Less Non-NAFTA Beef For Canada * Canadian Seed Potatoes to Mexico * WTO Appellate Body Upholds Previous Ruling on the CWB * Canadian Softwood Exporters Celebrate Victory * Canadian Wheat Board Hires A New Government Relations Person * Crop Update * It's Cold Out There

Includes PSD Changes: No
Includes Trade Matrix: No
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This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

NATIONAL PORK PRODUCERS URGE CANADA TO STOP HOG SUBSIDIES: In a press release, The National Pork Producers Council (NPPC) called for an end to Canadian government subsidies to Canadian hog producers. The development follows the August 17, 2004 preliminary ruling by the United States Department of Commerce that Canada's subsidies for its hog industry are too small to justify the imposition of U.S. tariffs on hogs coming from Canada. In March 2004 the DOC initiated two separate investigations (countervail and anti-dumping) against live swine from Canada based on a petition from the NPPC. Jon Caspers, past president of NPPC stated in the press release "...as exports from Canada flooded the market in 2002 and 2003, U.S. producers responded to economic conditions, cut back their herd size and suffered serious losses. Even as economic conditions improve, the oversupply in Canada forces profits and prices to be lower than what they would otherwise would be if the Canadian government had not artificially reduced the risk faced by Canadian hog producers." The DOC's preliminary determination in the anti-dumping case is scheduled for October 15, 2004. The final determinations in both the countervail and the anti-dumping investigations have been aligned and are currently scheduled for December 28, 2004.

LIVE HOG EXPORTS INCREASE, PORK EXPORTS EASE: Canadian live hog exports to the United States in the first half of 2004 ran 33% above the level for the same period a year ago. However, the year-to-year rate of increase is expected to ease somewhat during the last half of 2004 because the highest rate of exports last year occurred during the July to December period. Still, total live hog exports to the U.S. in 2004 could exceed 8.5 million head. In the first six months of the current year, total Canadian pork exports ran 2.3% below their level for the same period last year. Increased pork exports to both Japan and Mexico in the January to June period of 2004 failed to offset an almost 10% year-to-year decline in Canadian pork exports to the United States. Canada sold half of its pork production into international markets in 2003 via record exports of 975,000 metric tons, a 13% increase over the year earlier level. When the pork equivalent of its live hog exports is included, Canada exports about two-thirds of its total pork production. For more information on developments in Canada's pork sector, see CA4063.

CATTLE INDUSTRY LOOKS TO INCREASE SLAUGHTER CAPACITY IN LIGHT OF U.S. BORDER CLOSURE: As part of its contingency plan to adopt made-in-Canada solutions to the BSE-related U.S. border closure to Canadian live cattle, the Canadian cattle industry wants to increase domestic slaughter capacity. According to industry sources, existing slaughter capacity in Canada is currently about 79,000 head per week. Through expansion to existing facilities, plant conversion, and new investment, the industry is targeting to have capacity increase to 86,000 head by spring 2005 and to 98,000 head by 2006. The medium term solution includes recapturing the ability to process non-fed slaughter cattle that previously were exported live to plants in the United States.

LESS NON-NAFTA BEEF FOR CANADA: A major part of Canada's BSE-related surplus cattle and beef supply strategy is to process for consumption a much greater share of the Canadian domestic need for manufacturing type beef that in recent years has been dominated by imported product. In fact, past GOC policies that encouraged the importation of manufacturing beef led, in part, to the decline in number of non-fed slaughter facilities and to increased exports of live slaughter cows to U.S. slaughter plants. Since Canada's BSE incident, the GOC has responded by not issuing supplementary import permits for beef beyond Canada's non-NAFTA tariff rate quota (76,409 metric tons). With regard to supplementary imports, The GOC has told importers and further processors (of non-NAFTA beef) that the principle tenet of the beef and veal supplementary import policy is to deny applications if domestic product is available at competitive prices. It also said that it may be necessary for packers and processors to change the manner in which they do business (i.e., buy more Canadian product) in order

to adjust to the new market situation. For more information on developments within Canada's beef industry see the Livestock Annual CA4063.

CANADIAN SEED POTATOES TO MEXICO: Canada has negotiated a seed potato workplan that will allow full Canadian access to the Mexican seed potato market for the 2004-05 potato shipping season. Previously, seed potatoes from New Brunswick and Prince Edward Island have been banned from Mexico since December 2000 due to concerns with a potato virus known as PVY^N. The workplan reportedly includes pre-clearance activities to be conducted by Canadian Food Inspection Agency (CFIA) and Mexican inspectors including a field inspection of every seed potato field destined for Mexico; verification of potato tuber sampling quality assurance procedures; testing of representative samples in Mexico prior to the certification of commercial shipments; and audit procedures at the point of shipping. Under the initial phase of this pre-clearance program, three inspectors from Mexico came to Canada to conduct field inspections. According to the CFIA, the cost of the pre-clearance measures will be borne by Canadian seed potato growers who ship to Mexico. Access to the Mexican market could be worth more than a million dollars to New Brunswick and Prince Edward Island seed potato growers. After the U.S., Mexico is the number two market for Canadian seed potato exports. In recent years only Canadian seed potatoes from Alberta and Saskatchewan met Mexican certification requirements.

WTO APPELLATE BODY UPHOLDS PREVIOUS RULING ON THE CWB: The WTO Appellate Body has upheld the April ruling by the WTO, which had found that the CWB was acting in accordance with current WTO rules on State Trading Enterprises (STEs). In their statement following the ruling the CWB expressed their pleasure and stating that the decision by the WTO Appellate Body once again demonstrates that the CWB is a fair trader and that farmers are in control of the CWB. The Appellate Body ruling continued to uphold the April ruling regarding Canada's grain distribution and rail transportation systems, which were deemed unfair and discriminatory against U.S. grains.

CANADIAN SOFTWOOD EXPORTERS CELEBRATE VICTORY: On its third ruling regarding U.S. claims that Canadian lumber is subsidized and poses a threat to U.S. jobs, a five member NAFTA panel clearly stated that the U.S. failed to show that there was evidence to support these arguments and that the 27% duties that have been collected on Canadian lumber exports are not justified. The NAFTA panel ordered the U.S. International Trade Commission (ITC) to comply with its ruling by September 9, 2004 and that this ruling was final. The Free Trade Lumber Council declared the ruling a victory, but would not be surprised if the U.S. appealed the decision. Canada's Trade Minister, Jim Peterson called on the United States to bring finality to this dispute once and for all. Since the duties were imposed more than two years ago, the U.S. collected roughly \$2.7 billion in duties. With a ruling earlier in week by the WTO, granting Canada the right to fine the U.S. up to 72% of the money collected under the Byrd Amendment, Canadian softwood lumber exporters are looking towards reclaiming some of the money they have paid in duties.

CANADIAN WHEAT BOARD HIRES A NEW GOVERNMENT RELATIONS PERSON: The Canadian Wheat Board (CWB) has hired Avis Gray as the new head of their government relations' section. Ms. Gray is a well-connected Manitoba Liberal, who ran Canadian Wheat Board Minister Reg Alcock's re-election campaign. Ms. Gray also served as a Liberal Member of the Legislative Assembly in Manitoba at the same time as Mr. Alcock. The Opposition Conservative Party quickly denounced the hiring as yet another example of Liberal cronyism. The CWB and Minister Alcock denied there was any political interference in the hiring of Ms. Gray, claiming she was headhunted by a Toronto agency. For those opposed to the CWB, this has added additional fuel to fire in their argument to end the monopoly.

CROP UPDATE: With the weather not really improving across the Prairies, crops remain behind, fields remain wet and frost damage is still being assessed. At a time when crops should be ready for swathing and harvesting, canola is still blooming in some regions of Manitoba. The Canola Council of Canada is reminding producers that with the current weather conditions, swath curling will take longer than usual. The provincial department of Agriculture in Saskatchewan is reporting that harvesting remains at standstill as a result of the weather, with crop quality is quickly deteriorating. Just 2% of the harvest was in the bin as of August 29. This is a far cry from last year, where 60% of the crop was combined and heat and drought stress were the major source of crop damage. Winter wheat acreage on the Prairies may drop as a result of the late harvest. The delay in fall harvest is reducing the availability of land for seeding to winter wheat. Late August and into early September is the optimal time to plant winter wheat, but because many crops are still on the fields, there is less acreage

available for winter wheat. A delay in seeding would result in a delay in maturity next year. Producers have until September 15 to seed in order to have full coverage for winter wheat in Manitoba. Last year, producers in the three Prairie Provinces planted roughly 660,000 acres of winter wheat, with a majority of it in Manitoba.

IT'S COLD OUT THERE: For all those sitting in air conditioned offices, complaining about the heat, stop! At least you had some heat. Manitoba has had one of the coldest summers on record. And not only was it cold, it was wet. In fact, Winnipeg has broken the record for the coldest May, June, July and August. The mean temperature was 19.7 C compared to the normal temperature of 23.1 C. May started out with such promise. Warm weather had enabled some farmers to seed early, prior to the May snowstorm. Following the snow came cool, wet weather, which delayed seeding of a good number of crops well into June. There were actually some nice days, but those were few and far between. Despite the lousy start and the crops being anywhere from 1 -3 weeks behind, producers in the province were actually looking at having a decent crop that was until the August 20th frost. Many of the crops in the province, especially the canola and the field beans were hit the hardest by the frost and apparently the odor coming off some of the canola fields is none to pleasant. The corn and sunflower crops are severely behind and the general feeling, especially with the corn crop, is that it will be a write off. Right now September is forecast to be cool and wet, a shocking turn of events for a province that has yet to experience summer.

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